

Data Sheet

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| USAID Mission: | Ecuador |
| Program Title: | Economic Opportunities |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 518-014 |
| Status: | Continuing |
| Planned FY 2006 Obligation: | \$990,000 DA; \$990,000 ESF |
| Prior Year Unobligated: | \$269,000 DCA |
| Proposed FY 2007 Obligation: | \$0 |
| Year of Initial Obligation: | 2001 |
| Estimated Year of Final Obligation: | 2006 |

Summary: Program targets are to reduce rural and urban poverty through a two pronged approach that enhances participation in global trade and investment and improves private sector competitiveness of small and medium businesses with emphasis in rural areas.

Inputs, Outputs, Activities:

FY 2006 Program:

Improve Private Sector Competitiveness (\$250,000 DA; \$740,000 ESF; \$269,000 DCA FY 2004 Carryover). USAID provides technical assistance to selected industry clusters that have a competitive advantage to produce and market goods and/or services for domestic and/or export markets. USAID measures the changes in income, increase in market shares and job creation for these pilot activities. It is expected that exports will increase at least 10% over the baseline. The program identifies buyers to broker deals with producers, tapping new market outlets, such as supermarkets and wholesale buyers, to by-pass traditional middlemen. Technical assistance will be provided to medium, small, and micro-businesses to adapt their products to the requirement of the buyers. USAID funds pilot programs in specific sectors to assist the process of reconversion and/or adaptation to changing market demands, in response to an enhanced free trade environment. USAID supports a financial guarantee with a commercial bank for rural sector activities and provides technical assistance to selected financial intermediaries to develop financial products for small producers in rural areas.

Increase Trade and Investment (\$740,000 DA; \$250,000 ESF). USAID is supporting Ecuador's efforts to ratify and comply with the Free Trade Agreement (FTA). Once the Agreement is approved USAID will provide technical assistance to implement and adapt laws and institutions to meet FTA's terms and train government officials on the new rules of free trade. Priority will be given to labor, intellectual property rights, technical barriers to trade, and sanitary and phytosanitary standards. Compliance with environment standards will also be a priority. Technical assistance to reform customs will be provided and USAID will work with sectors that may be adversely affected by FTA. USAID will support government efforts to increase competitiveness in sectors where Ecuador has the potential to participate successfully in an open market. If the FTA is not signed, USAID will continue to promote trade, application of World Trade Organization (WTO) standards, strengthening of trade related institutions and eliminating barriers to investment. USAID uses ESF funds to help farmers convert to more competitive products to increase income and employment. Also with ESF funds, USAID is promoting debate and supports local and private institutions efforts to push for structural reforms in the electrical, telecommunication, and oil sectors. Inefficiencies in these sectors create major obstacles for investment and private sector development.

FY 2007 Program:

There will be no new obligations to this Strategic Objective. A new strategy will begin in FY 2007.

Performance and Results: Despite significant macroeconomic accomplishments, the continued instability of the Government of Ecuador (GOE) and the lack of clear leadership and decision making slowed full achievement of results in FY 2005. However, tax revenue collection stayed high at 11.2% of the Gross Domestic Product. USAID has assisted the GOE to improve the Ministry of Economy and Finance's (MEF) administrative activities by providing support for the standardization of human resources information and the implementation of computer systems. USAID provided technical assistance that has facilitated Ecuador's participation in FTA negotiations.

The program also has been successful in the financial sector. The new Credit Bureau Law passed which strengthens and provides legal stability to six private credit bureaus. The Private Credit Bureaus will ensure that funds are lent to creditworthy borrowers, making it more difficult to continue with the cronyism lending system that still exists in Ecuador and caused the financial collapse in 1999. A new Money Laundering Law was signed by the President to detect, prevent, and sanction money laundering activities. New norms for the insurance sector were issued. The 24 financial intermediaries assisted by USAID now have 230 branches that provide financial services to micro-enterprises. The number of their clients increased significantly from 113,703 in 2001 to 385,450 in 2005 and savers reached 606,115, exceeding planned targets for 2005. The portfolio at risk of more than 30 days declined from the baseline of 6.49% in 2001 to 2.67% in September 2005. This compares favorably with the overall 7.1% average for Ecuador's regulated microfinance industry. A network of cooperatives has established a system of shared branching; currently 13 credit unions sharing 92 branches.

By program completion, selected GOE institutions will have modern administration systems and procedures, and the FTA requirements will be met. Additionally, at least 30% of the micro-enterprises in Ecuador will have access to financial services.

US Financing in Thousands of Dollars

Ecuador

| 518-014 Economic Opportunities | DA | DCA | ESF |
|---------------------------------------|-------|-------|--------|
| Through September 30, 2004 | | | |
| Obligations | 5,354 | 884 | 15,625 |
| Expenditures | 4,042 | 237 | 8,131 |
| Unliquidated | 1,312 | 647 | 7,494 |
| Fiscal Year 2005 | | | |
| Obligations | 1,950 | 346 | 4,520 |
| Expenditures | 1,253 | 583 | 5,131 |
| Through September 30, 2005 | | | |
| Obligations | 7,304 | 1,230 | 20,145 |
| Expenditures | 5,295 | 820 | 13,262 |
| Unliquidated | 2,009 | 410 | 6,883 |
| Prior Year Unobligated Funds | | | |
| Obligations | 0 | 269 | 0 |
| Planned Fiscal Year 2006 NOA | | | |
| Obligations | 990 | 0 | 990 |
| Total Planned Fiscal Year 2006 | | | |
| Obligations | 990 | 269 | 990 |
| Proposed Fiscal Year 2007 NOA | | | |
| Obligations | 0 | 0 | 0 |
| Future Obligations | 0 | 0 | 0 |
| Est. Total Cost | 8,294 | 1,499 | 21,135 |